

SDI Limited

ABN 27 008 075 581

Appendix 4E Preliminary Final Report - 30 June 2020

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MELBOURNE, Australia – SDI Limited (ASX: SDI). Net profit after tax of \$4.2 million for the year ended 30 June 2020, compared with \$7.3 million for the same period last year. The full year result was impacted by the COVID-19 pandemic, with dental procedures limited to emergency cases in most countries in the final quarter of the financial year.

Summary financials (AUD)	FY20	FY19	Change %
Sales (\$m)	67.4	79.6	(15.4)
EBITDA (\$m)	9.8	14.2	(30.9)
NPAT (\$m)	4.2	7.3	(42.2)
Net cash (\$m)	4.7	6.5	(28.2)
Final ordinary dividend (cents per share)	0.50	1.50	(66.7)

- Net profit after tax ('NPAT') \$4.2 million (down 42.5% from \$7.3 million in FY19) with the final quarter, typically the strongest quarter for the consolidated entity, impacted by global restrictions on dental care.
- Total sales \$67.4 million (down 15.4% from \$79.6 million in FY19), reflecting the challenges faced in the final quarter of the year. When adjusted for currency movements, sales were down 18.1%.
- Earnings before interest, tax, depreciation, and amortisation ('EBITDA') was down 30.9% to \$9.8 million, compared to \$14.2 million for the corresponding period last year.
- Earnings per share ('EPS') was down 2.61 cents to 3.56 cents compared to 6.17 cents for the same period last year.
- Final fully franked ordinary dividend of 0.5 cents per share.
- Year-on-year operating expenses were carefully managed, down 9.8% in local currencies, including directors and management salaries reduced by 40%.
- Investment on research and development continued.
- SDI participated in Government subsidy programs in several countries, ensuring no redundancies across the consolidated entity.
- Health and safety of team are paramount; strict infection control policies introduced with department zoning and the use of video conferencing tools for all staff team meetings where practical.
- Melbourne manufacturing facility operating under the "Permitted industry" exemption despite local Stage 4 Government restrictions.
- A strategic review was commenced on the Brazilian operations, with devaluation of the Brazilian Real having a material impact, resulting in \$1.4 million of unrealised currency losses.
- Income tax expense was 17.2% of pre-tax profit compared to 30.1% for the same period last year, due to a partial write-down of intercompany debt relating to the Brazilian subsidiary, and the research and development concessional expenditure deduction from lower pre-tax profits.

Commenting on the result Samantha Cheetham, Chief Executive Officer of SDI said:

"Throughout the COVID-19 pandemic our primary concern has been ensuring the health and safety of our employees around the world. We quickly developed and implemented strict, facility specific safety and hygiene protocols across all locations. While this has been an incredibly challenging period for our business, we are pleased to have retained all our staff. The final quarter of the year is our seasonally strongest period, and unfortunately the global pandemic has coincided with this critical time for our business. We are of the view that while some sales may be lost, we believe that most are deferred to a time when restrictions allow ordinary operations in dentistry to continue."

Key product category sales

Product category sales	Decline in local currency %	Decline in AUD %	Total AUD sales %
Aesthetics	(12.2)	(9.1)	45.9
Equipment	(16.1)	(14.9)	7.6
Whitening	(18.1)	(15.4)	26.9
Amalgam	(29.7)	(27.2)	19.6

The pandemic had a significant impact on all product groups with Aesthetics showing the smallest decline. The demand for the key product categories of restoratives and whitening products decreased in the fourth quarter. However, products used for non-aerosol procedures showed good results. The overall sales mix as a percentage of total sales was in line with previous years.

Sales by business unit

Sales by business unit	Growth/(decline) in local currency %	Growth/(decline) in AUD %	Total AUD sales %
Australian sales (including direct exports)	(16.1)	(12.6)	39.6
North America	(28.6)	(23.9)	21.7
Europe	(19.1)	(16.3)	30.7
Brazil	16.0	6.5	8.0
Total	(18.1)	(15.4)	100.0%

The sales by business unit reflected the impact seen in the final quarter with most down on the previous year.

Brazilian sales grew by 16.0% in local currency, however, when adjusted for export sales, previously exported from Australia, sales in local currencies increased by 6.1% and when translated to Australian Dollars local sales decreased by 2.6%. Further, the devaluation of the Brazilian Real has significantly reduced product margins, putting pressure on selling prices to stay competitive with local competitors. SDI has made a substantial investment in this market and with the effect of the pandemic on the country's present and future economy, future investment has been suspended pending a full review of the Brazilian operations.

Sales by region	FY 2020 (AUD)	FY 2019 (AUD)	Decline
APAC	14.2m	14.7m	(3.7%)
Middle East / Africa	6.9m	8.7m	(20.7%)
South America	8.0m	9.4m	(14.3%)
North America	14.6m	19.2m	(23.9%)
Europe	23.7m	27.6m	(14.0%)

Most regions reflected the overall trends seen in the final quarter with the APAC region least affected by the pandemic, with a 3.7% decline in sales for the year.

Gross profit margins

Gross product margins in Australian Dollars increased by 2.2% to 64.8% compared to 62.6% for the corresponding period last year. When adjusted for currency movements, gross margin increased by 1.0% to 63.6% compared to the previous corresponding period. The improved margin is reflective of the ongoing shift in product mix, but also the changes experienced in the overall regional performance.

Operating expenses

Total operating expenses in Australian dollars decreased by 8.2% when compared to the previous corresponding period. Approximately 55% of the consolidated entity's total operating expenses relate to its offshore subsidiaries and after adjusting for currency movements, total operating expenses decreased by 9.8%. In response to the pandemic the Company reduced its expenditure in all areas, apart from research expenditure with a further increase of \$0.6 million for the year.

Balance sheet

The Company's net cash position decreased by \$1.8 million after increasing inventories by \$3.4 million, planned investment in plant and equipment of \$2.5 million and product development expenditure of \$1.9 million. Inventories increased due to the build-up of stock for the expected fourth quarter sales, which was impacted by the pandemic.

The Company has ample headroom in its \$10 million bank facilities, with only \$1.5 million drawn as at 30 June 2020.

Strategy and outlook

The Company continues to drive its strategic priorities. Firstly, the rationalisation of the product portfolio is now complete with a 45% reduction of stock keeping units ('SKU') expected to drive further production efficiencies; secondly, the key product categories of Aesthetics and Whitening products continue to be the focus for product development, manufacturing efficiencies and sales and marketing teams; thirdly, on-going investment in research and development to release one to two products per year is on target; and finally, the consolidated entity's Amalgam replacement product is on schedule to be released in 2023.

It is expected the 2021 financial results will follow similar trends to previous years highlighting strong growth in both the Aesthetic and Whitening products and the continued decline in Amalgam products. In addition, equipment sales are expected to grow with the on-going roll out to all markets of the new curing light. The consolidated entity will continue to invest in research and development with the aim of launching at least one new product in the next financial year.

Commenting on the outlook Samantha Cheetham said:

"We are encouraged by the early signs with many operations globally beginning to restart and as a result, we are seeing a recovery in sales in the global markets we operate in."

Evidence of the recovery beginning is seen in our July 2020 numbers, having achieved sales similar to those recorded in FY19, despite almost no contribution from the UK region, which is yet to commence reopening. In regions where government restrictions have started to ease, we are advised that dentists are experiencing a significant backlog of patients. While the outlook remains uncertain and some sales may be lost, we believe that most have been deferred to a time when restrictions allow ordinary operations in dentistry to continue".

Dividends

The Board of Directors has declared a final fully franked ordinary dividend of 0.5 cents per share which is 1.0 cent lower than the previous final dividend.

The Board has decided that the Company's Dividend Reinvestment Plan ('DRP') will not be offered to Shareholders for these dividend payments.

About SDI Limited

Founded in 1972 and publicly listed on the Australian Securities Exchange in 1985, SDI Limited is a leading dental technology company that conducts research and development, manufacturing, and marketing of specialist dental materials. SDI's products combine innovation and excellence to provide the ideal restorative materials for the dental profession.

All of SDI's products are manufactured in Victoria, Australia. SDI's products are distributed through distributors and retailers in over 100 countries throughout the world. SDI has offices and warehouses in Australia, USA, Germany, and Brazil.

1. Company details

Name of entity:	SDI Limited
ABN:	27 008 075 581
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

The consolidated entity applied AASB 16 'Leases' from 1 July 2019 using the modified retrospective approach and as such the comparatives have not been restated.

			\$'000
Revenues from ordinary activities	down	15.4% to	67,374
Profit from ordinary activities after tax attributable to the owners of SDI Limited	down	42.2% to	4,237
Profit for the year attributable to the owners of SDI Limited	down	42.2% to	4,237

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2020 to be paid on 21 September 2020	0.50	0.50
Interim dividend for the year ended 30 June 2020 paid on 17 April 2020	1.35	1.35

Comments

The profit for the consolidated entity after providing for income tax amounted to \$4,237,000 (30 June 2019: \$7,329,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') decreased by 30.9% to \$9,791,000 (30 June 2019: \$14,177,000).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit adjusted for specific items.

The following table summarises key reconciling items between statutory profit after tax and EBITDA:

	Consolidated 2020 \$'000	2019 \$'000
Profit after tax	4,237	7,329
Add: taxation	878	3,155
Add: interest expense	19	37
Less: interest income	(10)	(13)
Add: depreciation and amortisation	4,667	3,669
EBITDA	<u>9,791</u>	<u>14,177</u>

SDI Limited adopted AASB 16 'Leases' from 1 July 2019. The adoption had the following impact on the current period. Current profit before income tax expense was increased by \$15,000. This included an increased depreciation and amortisation expense of \$754,000, increased finance costs of \$12,000 and increased Foreign exchange cost on translation of \$14,000, offset by a reduction in other expenses (reclassification of lease expenses) of \$795,000. As at 30 June 2020, net current assets declined by \$441,000 (attributable to current lease liabilities) and net assets were increased by \$15,000 (attributable to right-of-use assets, lease liabilities and deferred tax assets).

[Further information on the results is detailed in the 'Commentary - Full year results' immediately following this report.]

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	41.24	40.79

4. Control gained over entities

Name of entities (or group of entities)	Dentech Innovations Pty Ltd
Date control gained	Incorporation date 7 June 2019 and trading commenced 1 July 2019

5. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2020 to be paid on 21 September 2020	0.50	0.50
Interim dividend for the year ended 30 June 2020 paid on 17 April 2020	1.35	1.35

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2019 paid on 20 September 2019	1.50	1.50
Interim dividend for the year ended 30 June 2019 paid on 12 April 2019	1.20	1.20
Special dividend for the year ended 30 June 2019 paid on 12 April 2019	1.00	1.00

6. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Company has a Dividend Reinvestment Plan ('DRP'). However the Directors have decided that the DRP will not be offered to Shareholders for the dividend payments.

7. Audit qualification or review

The financial statements are in the process of being audited and an unqualified opinion is expected to be issued.

8. Attachments

The Appendix 4E Preliminary Final Report of SDI Limited for the year ended 30 June 2020 is attached.

9. Signed

Signed 

Date: 21 August 2020

Samantha Jane Cheetham
Managing Director
Melbourne

SDI Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020



	Note	Consolidated 2020 \$'000	2019 \$'000
Revenue			
Sales revenue		67,374	79,598
Cost of goods sold		(23,737)	(29,805)
Gross profit		43,637	49,793
Other income	2	46	888
Interest revenue calculated using the effective interest method		10	13
Expenses			
Selling and administration expenses		(33,381)	(37,883)
Research and development costs		(1,775)	(1,015)
Impairment of receivables	4	(63)	(143)
Other expenses		(3,340)	(1,132)
Finance costs		(19)	(37)
Profit before income tax expense		5,115	10,484
Income tax expense		(878)	(3,155)
Profit after income tax expense for the year attributable to the owners of SDI Limited		4,237	7,329
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign controlled entities		(144)	481
Other comprehensive income for the year, net of tax		(144)	481
Total comprehensive income for the year attributable to the owners of SDI Limited		4,093	7,810
		Cents	Cents
Basic earnings per share	3	3.56	6.17
Diluted earnings per share	3	3.56	6.17

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents		6,153	6,481
Trade and other receivables	4	9,605	17,780
Inventories	5	20,656	17,242
Current tax asset		850	-
Prepayments		1,780	1,100
Total current assets		<u>39,044</u>	<u>42,603</u>
Non-current assets			
Trade and other receivables	4	642	713
Property, plant and equipment	6	19,225	18,680
Right-of-use assets	7	1,142	-
Intangibles	8	24,752	24,603
Total non-current assets		<u>45,761</u>	<u>43,996</u>
Total assets		<u>84,805</u>	<u>86,599</u>
Liabilities			
Current liabilities			
Trade and other payables	9	3,364	6,249
Borrowings	10	1,500	-
Lease liabilities	11	441	-
Provision for income tax		69	1,386
Employee benefits		2,408	3,344
Total current liabilities		<u>7,782</u>	<u>10,979</u>
Non-current liabilities			
Lease liabilities	11	686	-
Deferred tax liability		2,334	2,363
Employee benefits		213	172
Total non-current liabilities		<u>3,233</u>	<u>2,535</u>
Total liabilities		<u>11,015</u>	<u>13,514</u>
Net assets		<u>73,790</u>	<u>73,085</u>
Equity			
Issued capital		12,890	12,890
Reserves		1,503	1,647
Retained profits		59,397	58,548
Total equity		<u>73,790</u>	<u>73,085</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2018	12,890	1,166	55,498	69,554
Profit after income tax expense for the year	-	-	7,329	7,329
Other comprehensive income for the year, net of tax	-	481	-	481
Total comprehensive income for the year	-	481	7,329	7,810
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 12)	-	-	(4,279)	(4,279)
Balance at 30 June 2019	12,890	1,647	58,548	73,085
Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2019	12,890	1,647	58,548	73,085
Adjustment for change in accounting policy	-	-	-	-
Balance at 1 July 2019 - restated	12,890	1,647	58,548	73,085
Profit after income tax expense for the year	-	-	4,237	4,237
Other comprehensive income for the year, net of tax	-	(144)	-	(144)
Total comprehensive income for the year	-	(144)	4,237	4,093
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 12)	-	-	(3,388)	(3,388)
Balance at 30 June 2020	12,890	1,503	59,397	73,790

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated 2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers		75,146	78,215
Payments to suppliers and employees		(66,154)	(65,722)
		8,992	12,493
Interest received		10	13
Other revenue		1,121	59
Interest and other finance costs paid		(19)	(37)
Income taxes paid		(3,074)	(2,025)
Net cash from operating activities	13	7,030	10,503
Cash flows from investing activities			
Payments for property, plant and equipment	6	(2,489)	(3,146)
Payments for intangibles	8	(2,222)	(2,706)
Proceeds from disposal of property, plant and equipment		87	158
Net cash used in investing activities		(4,624)	(5,694)
Cash flows from financing activities			
Proceeds from borrowings		1,500	-
Dividends paid	12	(3,388)	(4,279)
Repayment of borrowings		(769)	(2,214)
Net cash used in financing activities		(2,657)	(6,493)
Net decrease in cash and cash equivalents		(251)	(1,684)
Cash and cash equivalents at the beginning of the financial year		6,481	8,246
Effects of exchange rate changes on cash and cash equivalents		(77)	(81)
Cash and cash equivalents at the end of the financial year		6,153	6,481

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Operating segments

Identification of reportable operating segments

The consolidated entity's operations consist of the manufacture of dental restorative products, teeth whitening systems and small dental equipment for sale to dental distributors, dental dealers and dentists worldwide.

Operating segments are determined using the 'management approach', where the information presented is on the same basis as the internal reports reviewed by the Board of Directors (identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The consolidated entity comprises four separate reportable operating segments which are primarily identified on the basis of subsidiary companies in different geographical markets.

Reportable segments

The consolidated entity's reportable segments are as follows:

Australia:	SDI Limited and SDI Dentech Innovations Pty Ltd from 1 July 2019.
Europe:	SDI Germany GmbH (Germany) and SDI Dental Innovations Limited (United Kingdom).
USA:	SDI (North America), Inc.
Brazil:	SDI Brasil Industria e Comercio Ltda

Intersegment transactions

The segment revenues, expenses and results include transfers between segments. The pricing of the intersegment transactions is based on cost plus an appropriate mark-up, which reflects market conditions of the segment into which the sales are made. These transfers are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

The consolidated entity has a number of customers to whom it sells products. No single customer represents 10% or more of the consolidated entity's revenue.

Note 1. Operating segments (continued)

Operating segment information

Consolidated - 2020	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Other segments \$'000	Total \$'000
Revenue						
Sales to external customers	26,678	20,694	14,607	5,395	-	67,374
Intersegment sales	18,540	3,545	-	-	-	22,085
Total sales revenue	45,218	24,239	14,607	5,395	-	89,459
Total segment revenue	45,218	24,239	14,607	5,395	-	89,459
Intersegment eliminations						(22,085)
Total revenue						67,374
Segment results before tax and adjustments below						
Intersegment adjustments	4,929	1,384	662	(591)	454	6,838
Depreciation and amortisation	2,953	-	-	-	-	2,953
Interest revenue	(3,738)	(652)	(202)	(75)	-	(4,667)
Finance costs	3	-	1	6	-	10
	(8)	(3)	(8)	-	-	(19)
Profit/(loss) before income tax expense	4,139	729	453	(660)	454	5,115
Income tax expense						(878)
Profit after income tax expense						4,237
Assets						
Segment assets	76,789	8,428	6,399	5,423	-	97,039
Intersegment eliminations						(12,234)
Total assets						84,805
Liabilities						
Segment liabilities	9,095	4,983	456	6,057	-	20,591
Intersegment eliminations						(9,576)
Total liabilities						11,015

Note 1. Operating segments (continued)

Consolidated - 2019	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Other segments \$'000	Total \$'000
Revenue						
Sales to external customers	30,514	24,737	19,195	5,065	87	79,598
Intersegment sales	25,695	4,156	-	-	-	29,851
Total sales revenue	56,209	28,893	19,195	5,065	87	109,449
Total segment revenue	56,209	28,893	19,195	5,065	87	109,449
Intersegment eliminations						(29,851)
Total revenue						79,598
Segment results before tax and adjustments below	14,030	906	660	282	62	15,940
Intersegment eliminations	(1,763)	-	-	-	-	(1,763)
Depreciation and amortisation	(3,456)	(36)	(83)	(88)	(6)	(3,669)
Interest revenue	2	-	2	-	9	13
Finance costs	(33)	-	(3)	(1)	-	(37)
Profit before income tax expense	8,780	870	576	193	65	10,484
Income tax expense						(3,155)
Profit after income tax expense						7,329
Assets						
Segment assets	82,004	14,355	8,876	5,496	41	110,772
Intersegment eliminations						(24,173)
Total assets						86,599
Liabilities						
Segment liabilities	12,008	11,427	2,075	5,640	499	31,649
Intersegment eliminations						(18,135)
Total liabilities						13,514

Note 2. Other income

	Consolidated 2020 \$'000	2019 \$'000
Net foreign exchange gain	-	798
Net gain on disposal of property, plant and equipment	45	31
Other income	1	59
Other income	46	888

Note 3. Earnings per share

	Consolidated 2020 \$'000	2019 \$'000
Profit after income tax attributable to the owners of SDI Limited	4,237	7,329
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	118,865,530	118,865,530
Weighted average number of ordinary shares used in calculating diluted earnings per share	118,865,530	118,865,530
	Cents	Cents
Basic earnings per share	3.56	6.17
Diluted earnings per share	3.56	6.17

Note 4. Trade and other receivables

	Consolidated 2020 \$'000	2019 \$'000
<i>Current assets</i>		
Trade receivables	8,973	17,085
Less: Allowance for expected credit losses	(357)	(394)
	8,616	16,691
Other receivables	989	1,089
	9,605	17,780
<i>Non-current assets</i>		
Other receivables	642	713
	10,247	18,493

Allowance for expected credit losses

The consolidated entity has recognised \$63,000 (2019: \$143,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

The ageing of the impaired receivables provided for above is as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	2020 %	2019 %	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not overdue	0.24%	0.19%	5,921	13,521	14	26
1 to 4 months overdue	0.24%	0.19%	1,902	2,289	5	4
Over 4 months overdue	29.39%	28.53%	1,150	1,275	338	364
			8,973	17,085	357	394

Note 5. Inventories

	Consolidated	
	2020	2019
	\$'000	\$'000
<i>Current assets</i>		
Raw materials - at cost	10,525	8,598
Finished goods - at cost	10,319	8,887
Less: Provision for inventory obsolescence	(188)	(243)
	<u>20,656</u>	<u>17,242</u>

Note 6. Property, plant and equipment

	Consolidated	
	2020	2019
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - at cost	11,216	10,781
Less: Accumulated depreciation	(1,821)	(1,684)
	<u>9,395</u>	<u>9,097</u>
Plant and equipment - at cost	36,066	34,591
Less: Accumulated depreciation	(26,236)	(25,008)
	<u>9,830</u>	<u>9,583</u>
	<u>19,225</u>	<u>18,680</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
Balance at 1 July 2018	8,852	8,717	17,569
Additions	371	2,775	3,146
Disposals	-	(126)	(126)
Depreciation expense	(126)	(1,783)	(1,909)
Balance at 30 June 2019	9,097	9,583	18,680
Additions	435	2,054	2,489
Disposals	-	(42)	(42)
Depreciation expense	(137)	(1,765)	(1,902)
Balance at 30 June 2020	<u>9,395</u>	<u>9,830</u>	<u>19,225</u>

Note 7. Right-of-use assets

	Consolidated	
	2020	2019
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	1,896	-
Less: Accumulated depreciation	(754)	-
	<u>1,142</u>	<u>-</u>

Note 8. Intangibles

	Consolidated	
	2020	2019
	\$'000	\$'000
<i>Non-current assets</i>		
Product development costs - at cost	27,407	25,517
Less: Accumulated amortisation	(12,180)	(10,757)
	<u>15,227</u>	<u>14,760</u>
Intellectual property - at cost	7,881	7,634
Less: Accumulated amortisation	(5,061)	(4,558)
	<u>2,820</u>	<u>3,076</u>
Development work in progress - at cost	6,705	6,767
	<u>24,752</u>	<u>24,603</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Product development costs \$'000	Intellectual property \$'000	Development work in progress \$'000	Preliminary cost \$'000	Total \$'000
Balance at 1 July 2018	15,496	3,323	4,838	-	23,657
Additions	503	274	1,929	-	2,706
Amortisation expense	(1,239)	(521)	-	-	(1,760)
Balance at 30 June 2019	14,760	3,076	6,767	-	24,603
Additions	1,891	331	-	-	2,222
Transfers in/(out)	-	-	(62)	-	(62)
Amortisation expense	(1,424)	(587)	-	-	(2,011)
Balance at 30 June 2020	<u>15,227</u>	<u>2,820</u>	<u>6,705</u>	<u>-</u>	<u>24,752</u>

Note 9. Trade and other payables

	Consolidated 2020 \$'000	2019 \$'000
<i>Current liabilities</i>		
Trade payables	2,314	3,253
Other payables and accrued expenses	1,050	2,996
	<u>3,364</u>	<u>6,249</u>

Note 10. Borrowings

	Consolidated 2020 \$'000	2019 \$'000
<i>Current liabilities</i>		
Bank loans	1,500	-

The Group has a banking facility of \$10,000,000 of which \$1,500,000 is drawn down at 30 June 2020.

The facility is secured by a floating charge over the assets of the consolidated entity.

Note 11. Lease liabilities

	Consolidated 2020 \$'000	2019 \$'000
<i>Current liabilities</i>		
Lease liability	441	-
<i>Non-current liabilities</i>		
Lease liability	686	-
	<u>1,127</u>	<u>-</u>

Note 12. Dividends

Dividends paid during the financial year were as follows:

	Consolidated 2020 \$'000	2019 \$'000
Final dividend for the year ended 30 June 2019 of 1.5 cents (2018: 1.4 cents) per ordinary share	1,783	-
Interim dividend for the year ended 30 June 2020 of 1.35 cents (2019: 1.2 cents) per ordinary share	1,605	-
Final dividend for the year ended 30 June 2018 of 1.4 cents (2017: 1.3 cents) per ordinary share	-	1,664
Interim dividend for the year ended 30 June 2019 of 1.2 cents (2018: 1.1 cents) per ordinary share	-	1,426
Special dividend for the year ended 30 June 2019 of 1.0 cents (2018: nil) per ordinary share	-	1,189
	<u>3,388</u>	<u>4,279</u>

Note 12. Dividends (continued)

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Note 13. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2020 \$'000	2019 \$'000
Profit after income tax expense for the year	4,237	7,329
Adjustments for:		
Depreciation and amortisation	4,667	3,669
Net gain on disposal of non-current assets	(45)	(31)
Other revenue - non-cash	-	(798)
Foreign currency differences	(67)	562
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	8,175	(1,383)
Increase in inventories	(3,414)	(2,684)
Increase in income tax refund due	(850)	-
Increase in prepayments	(680)	(350)
Increase in other operating assets	-	(370)
Increase/(decrease) in trade and other payables	(2,752)	3,459
Increase/(decrease) in provision for income tax	(1,317)	1,204
Decrease in deferred tax liabilities	(29)	(74)
Decrease in employee benefits	(895)	(30)
Net cash from operating activities	<u>7,030</u>	<u>10,503</u>

Changes in liabilities arising from financing activities

Consolidated	Bank loans \$'000	Lease liability \$'000	Total \$'000
Balance at 1 July 2018	2,214	-	2,214
Repayment of bank loans	(2,214)	-	(2,214)
Balance at 30 June 2019	-	-	-
Net cash from/(used in) financing activities	1,500	(786)	714
Balance at 30 June 2020	<u>1,500</u>	<u>(786)</u>	<u>714</u>